

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Argentine Township	County Genesee
Audit Date June 30, 2004	Opinion Date September 20, 2005	Date Accountant Report Submitted to State: December 27, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

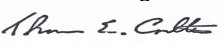
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, PC CPAs			
Street Address 7810 North Alger	City Alma	State MI	ZIP 48801
Accountant Signature 			

Township of Argentine
Genesee County, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2005

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Board of Trustees	1 – 1
2 Independent Auditors' Report	2 – 1
3 Management's Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Proprietary Funds	
Statement of Net Assets	4 – 7
Statement of Revenues, Expenses and Changes in Fund Net Assets	4 – 8
Statement of Cash Flows	4 – 9

<u>Section</u>		<u>Page</u>
4	Fiduciary Funds	
	Statement of Fiduciary Assets and Liabilities	4 – 10
	Notes to Financial Statements	4 – 11
5	Required Supplemental Information	
	Budgetary Comparison Schedule	
	General Fund	5 – 1
	Police Fund	5 – 2
	Fire Fund	5 – 3
	Garbage Fund	5 – 4
	Peninsular & Belfast Special Revenue Fund	5 – 5
	Sunset/Softwater Special Revenue Fund	5 – 6
	Haviland Beach Fund	5 – 7
	Lobdell Road Paving	5 – 8
6	Other Supplemental Information	
	Combining Balance Sheet – Nonmajor Governmental Funds	6 – 1
	Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	6 – 2
	General Fund	
	Comparative Balance Sheet	6 – 3
	Schedule of Revenues – Compared to Budget	6 – 4
	Schedule of Expenditures – Compared to Budget	6 – 5
	Special Revenue Funds	
	Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	6 – 6

Township of Argentine
List of Board of Trustees
June 30, 2004

BOARD OF TRUSTEES

ROBERT COLE	SUPERVISOR
JOSEPH GRAVES	CLERK
NORM SCHMIDT	TREASURER
JASON KING	TRUSTEE
BOB LONGLOIS	TRUSTEE

Independent Auditors' Report

Township Board
Township of Argentine
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Argentine as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Argentine as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Argentines' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
September 20, 2005

Township of Argentine

Management's Discussion and Analysis

Year Ended June 30, 2005

Our discussion and analysis of the Township of Argentine financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005.

The General Fund continued to subsidize both the Police and Fire assessments in order to provide our residents a quality service provided by local departments. In the budget year ending in June 2005, we were able to purchase/lease a fire truck. To reduce cost, we discontinued use of a hired (outside) office manager.

For the next physical year (2005 – 2006), the board elected to adopt a line item budget to assist in controlling the amount of spending and to better understand where the real costs are being incurred.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Argentine as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2005

The Township of Argentine as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities 2005	Business-type Activities 2005	Total 2005	Total 2004
Assets	\$ 3,247,211	\$ 1,488,383	\$ 4,735,594	\$ 3,796,466
Capital assets	785,761	1,386,292	2,172,053	2,316,558
Total assets	<u>4,032,972</u>	<u>2,874,675</u>	<u>6,907,647</u>	<u>6,113,024</u>
Current liabilities	526,447	1,308,841	1,835,288	501,039
Long term liabilities	1,329,395	185,975	1,515,370	1,308,240
Total liabilities	<u>1,855,842</u>	<u>1,494,816</u>	<u>3,350,658</u>	<u>1,809,279</u>
Net Assets				
Invested in capital assets, net of related debt	559,079	1,144,525	1,703,604	1,769,089
Restricted	100,896	-	100,896	191,288
Unrestricted	<u>1,517,155</u>	<u>235,334</u>	<u>1,752,489</u>	<u>2,343,368</u>
Total net assets	<u>\$ 2,177,130</u>	<u>\$ 1,379,859</u>	<u>\$ 3,556,989</u>	<u>\$ 4,303,745</u>

The Township of Argentine's net assets of governmental activities are \$2,177,130 and \$1,379,859 for business type activities; of these amounts \$1,517,155 (governmental) and \$235,334 (business-type) are unrestricted assets.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2005

The following table shows, in a condensed format, the change in net assets as of the current date and compared to the prior year:

	Governmental Activities	Business-type Activities	Total 2005	Total 2004
Revenue				
Program revenue				
Charges for services	\$ 444,108	\$ 1,398,663	\$ 1,842,771	\$ 1,137,044
Capital grants and contributions	1,277,491	-	1,277,491	1,190,819
General revenue				
Property taxes	208,969	-	208,969	180,123
State-shared revenue	493,162	-	493,162	438,403
Interest	18,507	16,428	34,935	33,662
Franchise fees and other revenue	126,469	-	126,469	104,831
Total Revenue	<u>2,568,706</u>	<u>1,415,091</u>	<u>3,983,797</u>	<u>3,084,882</u>
Expenses				
Program expenses				
General government	581,332	-	581,332	550,652
Public safety	975,870	-	975,870	847,874
Street and lighting	17,293	-	17,293	20,204
Lake improvements	97,513	-	97,513	86,826
Sanitation	343,661	-	343,661	326,726
Road improvements	528,434	-	528,434	183,518
Interest on long-term debt	39,745	-	39,745	31,107
Sewer	-	1,784,826	1,784,826	546,687
Other	361,879	-	361,879	167,074
Total expenses	<u>2,945,727</u>	<u>1,784,826</u>	<u>4,730,553</u>	<u>2,760,668</u>
Change in net assets	<u>\$ (377,021)</u>	<u>\$ (369,735)</u>	<u>\$ (746,756)</u>	<u>\$ 324,214</u>

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2005

Governmental Activities

The Township of Argentine's total governmental activity revenues were \$2,568,706. This was a \$203,214 increase in revenues compared to the prior year. This increase was due in part to the rapid growth of our area. Argentine is the fastest growing area in Genesee County.

Governmental activity expenditures of \$2,945,727 were recorded for the year. This included increases in health care costs and property and liability insurance rates, the addition of a full time Fire Chief, and a part time Deputy Supervisor. The Township also increased police and fire protection with only a slight increase in the assessments collected. This caused a reduction in Fund Balance to continue meeting the health, safety, and welfare of residents.

The Townships capital assets increased by \$93,316 from June 30, 2004 to June 30, 2005. This increase is due to the purchase of two 2005 Chevy Tahoe's, police and fire equipment, and a house on Oakwood street.

The Townships long-term debt also increased by \$485,000. This increase is due to the Sunset/Softwater bonds.

Business Type Activities

The Township also provides municipal sanitary sewer to its residents around the lake.

Township of Argentine Funds

The fund financial statements provide detailed information about the most significant funds, not the Township of Argentine as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities, Fire, Police, and Garbage Funds. The Argentine Township governmental major funds include General Fund, Police, Fire, Garbage, Peninsular and Belfast, Sunset/Softwater, Haviland Beach, and Lobdell Road Paving fund.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day to day operation expenses for the Police, and Fire departments is also paid out of General Fund. Some revenues for these departments are collected in the Police and Fire Fund and then transferred to General fund to offset part of the expenses.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2005

b) **Police Fund**

The Police Fund is funded through a special assessment approved by the residents. The Assessment collected in 2004-05 was \$273,200.

c) **Fire Fund**

The Fire Fund is funded through a special assessment approved by the residents. The Assessment collected in 2004-05 was \$327,840. 30% of each assessment dollar collected is left in the Fire fund to pay for major equipment purchases. The remaining 70% is then transferred to the General Fund to cover the fire expenses of \$364,842. The assessment covers about 60% of total expenses. The balance is paid with State Shared Revenue and property taxes.

d) **Garbage Fund**

Residents have approved a special assessment to pay for Township wide Garbage collection. The Assessment collected in 2004-05 was \$324,984.

e) **Peninsular and Belfast Fund**

Special Assessments were setup to pay for paving on Peninsular Drive and Belfast Road. This began in 1999 and there is \$176,409 left to be collected. An additional special assessment for \$225,000 was started in 2004. Nothing has been collected on this special assessment as of June 30, 2005.

f) **Sunset/Softwater Fund**

Special Assessments of \$468,904 were set up for this road project. Bond proceeds of \$485,000 were received during 2004-05 year. Special assessments of \$161,914 were received during the 2004-05 as some residents decided to pay off early.

g) **Haviland Beach Fund**

Special Assessments were setup to pay for paving on Haviland Beach. There is \$134,767 left to be collected on the original assessment. An additional special assessment for \$225,000 was started in 2004. Nothing has been collected on this special assessment as of June 30, 2005.

h) **Lobdell Road Paving Fund**

Special Assessments were setup to pay for paving on Lobdell road. There is \$285,639 left to be collected on this assessment. During the 2004-05 year, \$30,250 of special assessments was collected.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2005

General Fund Budgetary Highlights

Over the course of the year, the Township Council and Township administration monitor and amend the budget to account for unanticipated events during the year. Due to the lack of desire among the majority of the residents to increase the Police and Fire Special Assessments the Township Board of Trustees decided to use money from savings or Fund Balance to cover losses. This will continue to be a concern for the foreseeable future; however the board is reviewing all options in order to correct this imbalance.

Economic Factors and Next Year's Budgets and Rates

As this budget year closes there are a number of factors that will influence next years budget, including the unprecedented growth rate that seems to have leveled out and the amount of building permits has declined. The deficit for the Police and Fire Special Assessments continue to be a concern and aggressive steps will need to be taken to resolve these issues.

Contacting the Township of Argentine Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Argentine finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township hall.

Township of Argentine
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,615,049	\$ 763,116	\$ 2,378,165
Receivables	1,460,809	113,460	1,574,269
Prepaid expenses	4,337	-	4,337
Internal balances	13,080	(13,080)	-
Due from other governmental units	153,936	-	153,936
Deferred charges	-	624,887	624,887
Capital assets (net)	<u>785,761</u>	<u>1,386,292</u>	<u>2,172,053</u>
Total assets	<u>4,032,972</u>	<u>2,874,675</u>	<u>6,907,647</u>
Liabilities			
Checks written against future deposits	246,752	-	246,752
Accounts payable	127,578	1,202,512	1,330,090
Accrued and other liabilities	7,746	1,757	9,503
Due to other governmental units	-	48,780	48,780
Noncurrent liabilities			
Due within one year	144,371	55,792	200,163
Due in more than one year	<u>1,329,395</u>	<u>185,975</u>	<u>1,515,370</u>
Total liabilities	<u>1,855,842</u>	<u>1,494,816</u>	<u>3,350,658</u>
Net Assets			
Invested in capital assets, net of related debt	559,079	1,144,525	1,703,604
Restricted for:			
Lakes	100,896	-	100,896
Debt service	-	-	-
Unrestricted	<u>1,517,155</u>	<u>235,334</u>	<u>1,752,489</u>
Total net assets	<u>\$ 2,177,130</u>	<u>\$ 1,379,859</u>	<u>\$ 3,556,989</u>

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Activities
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 581,332	\$ 83,367	\$ -	\$ -	\$ (497,965)	\$ -	\$ (497,965)
Public safety	975,870	35,757	-	601,040	(339,073)	-	(339,073)
Street and lighting	17,293	-	-	-	(17,293)	-	(17,293)
Lake improvements	97,513	-	-	-	(97,513)	-	(97,513)
Sanitation	343,661	324,984	-	-	(18,677)	-	(18,677)
Road improvements	528,434	-	-	676,451	148,017	-	148,017
Other	361,879	-	-	-	(361,879)	-	(361,879)
Interest on long-term debt	39,745	-	-	-	(39,745)	-	(39,745)
Total governmental activities	<u>2,945,727</u>	<u>444,108</u>	<u>-</u>	<u>1,277,491</u>	<u>(1,224,128)</u>	<u>-</u>	<u>(1,224,128)</u>
Business-type activities							
Sewer	<u>1,784,826</u>	<u>1,398,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(386,163)</u>	<u>(386,163)</u>
Total primary government	<u>\$ 4,730,553</u>	<u>\$ 1,842,771</u>	<u>\$ -</u>	<u>\$ 1,277,491</u>	<u>(1,224,128)</u>	<u>(386,163)</u>	<u>(1,610,291)</u>
General revenues							
Property taxes					208,969	-	208,969
State shared revenue					493,162	-	493,162
Unrestricted investment earnings					18,507	16,428	34,935
Franchise fees					60,959	-	60,959
Miscellaneous					<u>65,510</u>	<u>-</u>	<u>65,510</u>
Total general revenues					<u>847,107</u>	<u>16,428</u>	<u>863,535</u>
Change in net assets					(377,021)	(369,735)	(746,756)
Net assets - beginning (restated)					<u>2,554,151</u>	<u>1,749,594</u>	<u>4,303,745</u>
Net assets - ending					<u>\$ 2,177,130</u>	<u>\$ 1,379,859</u>	<u>\$ 3,556,989</u>

See Accompanying Notes to Financial Statements

Township of Argentine
Balance Sheet
Governmental Funds
June 30, 2005

	Special Revenue Funds								Other Governmental Funds	Total Governmental Funds
	General	Police	Fire	Garbage	Peninsular & Belfast	Sunset/ Softwater	Haviland Beach	Lobdell Roads		
Assets										
Cash and cash equivalents	\$ 7,689	\$ 199,181	\$ 319,082	\$ 170,284	\$ 270,145	\$ 187,741	\$ 164,153	\$ -	\$ 296,774	\$ 1,615,049
Accounts receivable	11,023	-	-	-	-	-	-	-	-	11,023
Special assessments receivable	-	-	-	-	401,409	306,990	359,767	285,639	95,981	1,449,786
Due from other funds	178,441	-	-	-	-	-	-	-	30,000	208,441
Due from other governments	153,936	-	-	-	-	-	-	-	-	153,936
Prepaid expenses	4,337	-	-	-	-	-	-	-	-	4,337
Total assets	\$ 355,426	\$ 199,181	\$ 319,082	\$ 170,284	\$ 671,554	\$ 494,731	\$ 523,920	\$ 285,639	\$ 422,755	\$ 3,442,572
Liabilities and Fund Balance										
Liabilities										
Checks written against future deposits	\$ 189,800	\$ -	\$ -	\$ 10,454	\$ -	\$ 1,300	\$ -	\$ 26,549	\$ 18,649	\$ 246,752
Accounts payable	11,266	-	-	-	23,744	1,260	23,744	-	67,564	127,578
Salaries payable	7,746	-	-	-	-	-	-	-	-	7,746
Deferred revenue	-	-	-	-	401,409	306,990	359,767	285,639	95,981	1,449,786
Due to other funds	3,068	160	140	50	146,643	-	-	-	45,300	195,361
Total liabilities	211,880	160	140	10,504	571,796	309,550	383,511	312,188	227,494	2,027,223
Fund balance										
Reserved for Lobdell Lake	-	-	-	-	-	-	-	-	77,114	77,114
Reserved for Softwater Lake	-	-	-	-	-	-	-	-	1,803	1,803
Reserved for McKane Lake	-	-	-	-	-	-	-	-	12,662	12,662
Reserved for Myers Lake	-	-	-	-	-	-	-	-	9,317	9,317
Unreserved										
Designated for special projects	24,269	-	-	-	-	-	-	-	-	24,269
Unreserved, undesignated	119,277	199,021	318,942	159,780	99,758	185,181	140,409	(26,549)	94,365	1,290,184
Total fund balance (deficit)	143,546	199,021	318,942	159,780	99,758	185,181	140,409	(26,549)	195,261	1,415,349
Total liabilities and fund balance	\$ 355,426	\$ 199,181	\$ 319,082	\$ 170,284	\$ 671,554	\$ 494,731	\$ 523,920	\$ 285,639	\$ 422,755	\$ 3,442,572

Township of Argentine
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds			\$ 1,415,349
Total net assets reported for governmental activities in the statement of net assets is different because:			
Deferred special assessments			1,449,786
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			785,761
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of June 30, 2005 are as follows:			
	Bonds payable	\$ (1,463,645)	
	Accrued interest payable	<u>(10,121)</u>	<u>(1,473,766)</u>
Net assets of governmental activities			<u>\$ 2,177,130</u>

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	Special Revenue Funds								Other	Total
	General	Police	Fire	Garbage	Peninsular & Belfast	Sunset/ Softwater	Haviland Beach	Lobdell Road Paving	Governmental Fund	Governmental Funds
Revenues										
Taxes and special assessments	\$ 208,969	\$ 273,200	\$ 327,840	\$ 324,984	\$ 42,054	\$ 161,915	\$ 21,134	\$ 30,250	\$ 223,289	\$ 1,613,635
Licenses and permits	157,622	5,701	6,960	-	-	-	-	-	-	170,283
State grants	441,826	-	51,336	-	-	-	-	-	-	493,162
Charges for services	9,800	-	-	-	-	-	-	-	-	9,800
Interest	757	691	1,931	1,680	3,151	3,800	1,928	-	4,569	18,507
Other	59,702	-	-	5,808	-	-	-	-	-	65,510
Total revenues	878,676	279,592	388,067	332,472	45,205	165,715	23,062	30,250	227,858	2,370,897
Expenditures										
General government	580,074	-	-	-	-	-	-	-	-	580,074
Public safety	882,890	-	-	-	-	-	-	-	-	882,890
Street and lighting	-	-	-	-	-	-	-	-	17,293	17,293
Lake improvements	-	-	-	-	-	-	-	-	97,513	97,513
Sanitation	-	-	-	343,661	-	-	-	-	-	343,661
Other functions	163,724	812	-	-	-	24,821	13	46	161,444	350,860
Road improvements	-	-	-	-	57	394,291	-	-	134,086	528,434
Debt service	-	-	57,041	-	59,354	51,422	23,744	89,683	54,935	336,179
Total expenditures	1,626,688	812	57,041	343,661	59,411	470,534	23,757	89,729	465,271	3,136,904
Excess (deficiency) of revenues over expenditures	(748,012)	278,780	331,026	(11,189)	(14,206)	(304,819)	(695)	(59,479)	(237,413)	(766,007)
Other financing sources (uses)										
Bond proceeds	-	-	-	-	-	485,000	-	-	-	485,000
Operating transfers in	390,005	-	-	-	-	5,000	-	10,000	-	405,005
Operating transfers (out)	(15,000)	(114,562)	(275,443)	-	-	-	-	-	-	(405,005)
Total other financing sources (uses)	375,005	(114,562)	(275,443)	-	-	490,000	-	10,000	-	485,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(373,007)	164,218	55,583	(11,189)	(14,206)	185,181	(695)	(49,479)	(237,413)	(281,007)
Fund balance - beginning of year	516,553	34,803	263,359	170,969	113,964	-	141,104	22,930	432,674	1,696,356
Fund balance (deficit) - end of year	\$ 143,546	\$ 199,021	\$ 318,942	\$ 159,780	\$ 99,758	\$ 185,181	\$ 140,409	\$ (26,549)	\$ 195,261	\$ 1,415,349

Township of Argentine
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

	Primary Government
Net change in fund balances - total governmental funds	\$ (281,007)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	\$ (187,554)
Capital outlay	93,316
Loss on disposal of capital assets	<u>(11,019)</u>
	(105,257)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
New special assessments	468,904
Current collection of special assessments	<u>(271,095)</u>
	197,809
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Debt issued	(485,000)
Repayments of long-term debt	<u>292,467</u>
	(192,533)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrued interest on bonds	<u>3,967</u>
Change in net assets of governmental activities	\$ <u>(377,021)</u>

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Net Assets
Proprietary Fund
Business-type Activities - Enterprise Fund
June 30, 2005

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 763,116
Due from other funds	3,068
Accounts receivable	<u>113,460</u>
Total current assets	<u>879,644</u>
Noncurrent assets	
Deferred charges	624,887
Capital assets	<u>1,386,292</u>
Total noncurrent assets	<u>2,011,179</u>
Total assets	<u>2,890,823</u>
Liabilities	
Current liabilities	
Current portion - contracts payable	55,792
Accounts payable	1,202,512
Accrued interest	1,757
Due to other funds	16,148
Due to other governmental units	<u>48,780</u>
Total current liabilities	<u>1,324,989</u>
Noncurrent liabilities	
Contracts payable	<u>185,975</u>
Total liabilities	<u>1,510,964</u>
Net Assets	
Invested in capital assets, net of related debt	1,144,525
Unrestricted	
Other unrestricted	<u>235,334</u>
Total net assets	<u>\$ 1,379,859</u>

See Accompanying Notes to Financial Statements
4 - 7



Township of Argentine
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Business-type Activities - Enterprise Fund
Year Ended June 30, 2005

	<u>Sewer Fund</u>
Operating revenues	
Charges for services	\$ 1,244,145
Miscellaneous	154,518
Total operating revenues	<u>1,398,663</u>
Operating expenses	
Contracted services	1,710,317
Depreciation	39,248
Salaries and wages	18,148
Supplies	97
Professional fees	2,100
Other	1,098
Total operating expenses	<u>1,771,008</u>
Operating income	<u>(372,345)</u>
Nonoperating revenues (expenses)	
Interest income	16,428
Paying agent fees	(372)
Interest expense	(13,446)
Total nonoperating revenue	<u>2,610</u>
Change in net assets	(369,735)
Net assets - beginning of year	<u>1,749,594</u>
Net assets - end of year	<u><u>\$ 1,379,859</u></u>

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Cash Flows
Proprietary Fund
Business-type Activities - Enterprise Fund
Year Ended June 30, 2005

	<u>Sewer</u>
Cash flows from operating activities	
Receipts from customers	\$ 806,039
Payments to suppliers	(503,466)
Payments to employees	(18,148)
Other receipts (payments)	<u>154,518</u>
Net cash provided by operating activities	<u>438,943</u>
Cash flows from capital and related financing activities	
Principal and interest paid on capital debt	<u>(69,611)</u>
Cash flows from investing activities	
Interest revenue	<u>16,428</u>
Net increase in cash and cash equivalents	385,760
Cash and cash equivalents - beginning of year	<u>377,356</u>
Cash and cash equivalents - end of year	<u><u>\$ 763,116</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (372,345)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	39,248
Change in assets and liabilities	
Receivables	(10,420)
Deferred charges	(427,686)
Accounts payable	1,202,512
Due to other funds	16,148
Accrued interest	(382)
Due to other governmental units	<u>(8,132)</u>
Net cash provided by operating activities	<u><u>\$ 438,943</u></u>

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Fiduciary Assets and Liabilities
Tax Collection Fund
June 30, 2005

Assets

Cash	<u>\$ 44,879</u>
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Liabilities

Due to other governments	<u>\$ 44,879</u>
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See Accompanying Notes to Financial Statements

Township of Argentine
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Argentine conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major

individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

Reporting entity

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that its' members are selected by the people in a general election. In addition to having an elected board, a primary government must be both a legally separate and a fiscally independent entity. Thus, Argentine Township qualifies as "primary government" for financial reporting purposes. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The basic criterion of financial accountability is; the primary government is accountable for and able to impose its will upon the potential component unit.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Township of Argentine

Notes to Financial Statements

June 30, 2005

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Police Fund accounts for property taxes and other revenue that is restricted for providing police protection.
- The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.
- The Garbage Fund accounts for special assessments that are

restricted for sanitary services.

- The Peninsular and Belfast Fund accounts for special assessments that are restricted for paving projects.
- The Sunset/Softw ater Fund accounts for special assessments that are restricted for paving projects.
- The Haviland Beach Fund accounts for special assessments that are restricted for paving projects.
- The Lobdell Road Paving Fund accounts for special assessments that are restricted for paving projects.

The Township reports the following Major Proprietary Funds:

- The Sewer Fund accounts for the cost of collection and treating waste waters.

Additionally, the Township reports the following:

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Township of Argentine

Notes to Financial Statements

June 30, 2005

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds, relate to charges to customers for sewage disposal.

The Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property tax revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 ad valorem tax is levied and collectible on July 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township of Argentine is \$186,768,648 on which ad valorem taxes levy consisted of .7367 mills for operating purposes. The township bills and collects its own property taxes and also taxes for the school districts of Swartz Creek, Linden, and Byron, and for Genesee County. Collection on all taxes and remittance of them to the various taxing jurisdictions are accounted for in the tax collections fund. Township property tax revenues are recognized when levied.

Assets, liabilities and net assets or equity

Cash and cash equivalents – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business -

Township of Argentine

Notes to Financial Statements

June 30, 2005

type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	25 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

Long-term obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual

results could differ from those estimates.

Comparative data

Comparative data is not included in the Township's financial statements.

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the Township incurred expenditures in the General and Special Revenue Funds in excess of the amount appropriated as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount</u> <u>Expended</u>	<u>Unfavorable</u> <u>Variance</u>
General Fund			
General government	\$ 576,672	\$ 580,074	\$ 3,402
Fire protection	364,194	364,842	648
Other	161,065	163,724	2,659
Special Revenue			
Garbage fund	326,726	343,661	16,935
Sunset/Softwater fund	-	470,534	470,534
Lobdell Road Paving fund	33,099	89,729	56,630
Fire Fund	225,288	275,443	50,155

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund deficits and Budget deficits

The Township has accumulated a net asset deficit in the Crest Drive, Smith Road, Knobhill, Lobdell Road, and Ambulance fund. These deficits will be eliminated with future year special assessments.

Township of Argentine
Notes to Financial Statements
June 30, 2005

NOTE 3 - DEPOSITS

Credit Risk - Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board authorized all of the investments allowable under Michigan law. As of June 30, 2005, the Township had no investments. Concentration of credit risk - The Township has no policy that would limit the amount that may be invested with one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Township's deposits with financial institutions (excluding petty cash of \$1,749) was \$2,174,543 and the bank balance was \$2,226,145. Of the bank balance, \$272,534 was covered by federal depository insurance and \$1,953,611 was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds are as follows:

	<u>Accounts</u>	<u>Special</u> <u>Assessments</u>	<u>Inter-</u> <u>governmental</u>	<u>Gross</u> <u>Receivables</u>	<u>Due within</u> <u>one year</u>
General	\$ 11,023	\$ -	\$ 153,936	\$ 164,959	\$ 164,959
Peninsular & Belfast	-	401,409	-	401,409	64,500
Sunset/Softwater	-	306,990	-	306,990	45,700
Haviland Beach	-	359,767	-	359,767	43,600
Lobdell Roads	-	285,639	-	285,639	30,250
Nonmajor	-	95,981	-	95,981	15,750
Sewer	113,460	-	-	113,460	113,460
Total	<u>\$ 124,483</u>	<u>\$ 1,449,786</u>	<u>\$ 153,936</u>	<u>\$ 1,728,205</u>	<u>\$ 478,219</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Unavailable

Special assessments not yet due \$ 1,449,786

Township of Argentine
Notes to Financial Statements
June 30, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated				
Buildings and improvements	393,391	5,809	-	399,200
Land improvements	9,500	-	-	9,500
Vehicles	1,540,260	63,327	44,097	1,559,490
Office and other equipment	6,076	-	-	6,076
Police and Fire equipment	40,577	24,180	-	64,757
Capital assets being depreciated	<u>1,989,804</u>	<u>93,316</u>	<u>44,097</u>	<u>2,039,023</u>
Less accumulated depreciation for				
Buildings and improvements	121,574	11,326	-	132,900
Land improvements	6,017	633	-	6,650
Vehicles	995,099	167,252	33,078	1,129,273
Office and other equipment	2,170	868	-	3,038
Police and fire equipment	18,926	7,475	-	26,401
Accumulated depreciation	<u>1,143,786</u>	<u>187,554</u>	<u>33,078</u>	<u>1,298,262</u>
Net capital assets being depreciated	<u>846,018</u>	<u>(94,238)</u>	<u>11,019</u>	<u>740,761</u>
Governmental activities capital assets, net	<u>\$ 891,018</u>	<u>\$ (94,238)</u>	<u>\$ 11,019</u>	<u>\$ 785,761</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 31,525	\$ -	\$ -	\$ 31,525
Capital assets being depreciated				
Sewery System	1,962,378	-	-	1,962,378
Capital assets being depreciated	<u>1,962,378</u>	<u>-</u>	<u>-</u>	<u>1,962,378</u>
Less accumulated depreciation for				
Sewer system	568,363	39,248	-	607,611
Accumulated depreciation	<u>568,363</u>	<u>39,248</u>	<u>-</u>	<u>607,611</u>
Net capital assets being depreciated	<u>1,394,015</u>	<u>(39,248)</u>	<u>-</u>	<u>1,354,767</u>
Business-type capital assets, net	<u>\$ 1,425,540</u>	<u>\$ (39,248)</u>	<u>\$ -</u>	<u>\$ 1,386,292</u>

Depreciation expense was charged to programs of the primary government as follows:

Government activities	
General government	\$ 7,066
Public safety	<u>180,488</u>
Total governmental activities	<u>\$ 187,554</u>
Business-type activities	
Sewer	<u>\$ 39,248</u>

Township of Argentine
Notes to Financial Statements
June 30, 2005

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Knobhill	\$ 15,300	Reimbursement of expenditures paid for by the General Fund
	Peninsular and Belfast	146,643	Reimbursement of expenditures paid for by the General Fund
	Fire	140	Reimbursement of expenditures paid for by the General Fund
	Garbage	50	Reimbursement of expenditures paid for by the General Fund
	Sewer	16,148	Reimbursement of expenditures paid for by the General Fund
	Police	160	Reimbursement of expenditures paid for by the General Fund
Sewer	General	3,068	Reimbursement of Township expenditures paid by other funds
Lake Improvements	Knobhill	30,000	Reimbursement of Township expenditures paid by other funds
		<u>\$ 211,509</u>	

	Transfers in	Transfers out	Purpose
General Fund			
From Police Fund	\$ 114,562	\$ -	To reimburse general fund for extra transfers.
From Fire Fund	275,443	-	To reimburse general fund for extra transfers.
To Sunset/Softwater Fund		5,000	To correct deposit error.
To Lobdell Road Fund	-	10,000	To correct deposit error.
Sunset/Softwater Fund			
From General Fund	5,000	-	
Lobdell Road Fund			
From General Fund	10,000	-	
Fire Fund			
To General Fund	-	275,443	
Police Fund			
To General Fund	-	114,562	
Total	<u>\$ 405,005</u>	<u>\$ 405,005</u>	

NOTE 7 - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special assessment bonds					
1999 Peninsular & Belfast	\$ 150,000	\$ -	\$ 30,000	\$ 120,000	\$ 30,000
2004B Bond	250,000	-	7,778	242,222	7,778
2004A Bond	200,000	-	22,222	177,778	22,222
1994 Wolcott Mill	41,250	-	41,250	-	-
2005 Sunset/Softwater	-	485,000	45,000	440,000	50,000
Lobdell Road Paving Project	342,617	-	85,654	256,963	-
Settlement	37,336	-	37,336	-	-
Contracts payable - 2003 Fire truck	249,909	-	23,227	226,682	24,250
Accrued interest	14,088	-	3,967	10,121	10,121
	<u>\$ 1,285,200</u>	<u>\$ 485,000</u>	<u>\$ 296,434</u>	<u>\$ 1,473,766</u>	<u>\$ 144,371</u>
Business-type activities					
Contracts payable					
1999 System No. 7 upgrade	297,560	-	55,793	241,767	55,792
	<u>\$ 297,560</u>	<u>\$ -</u>	<u>\$ 55,793</u>	<u>\$ 241,767</u>	<u>\$ 55,792</u>

Township of Argentine
Notes to Financial Statements
June 30, 2005

The following is a summary of maturity dates, interest rates, and maturities:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Maturities</u>
Governmental activities			
Special assessment bonds			
1999 Peninsular & Belfast	11/1/08	4.05-4.3%	\$30,000
2004B Bond	5/1/13	5.371%	\$7,778 - \$42,778
2004A Bond	5/1/13	3.6%	\$22,222
Lobdell Road Paving Project	8/1/11	3.7%	\$42,827
Sunset/Softwater Bonds	5/1/14	3.0-4.25%	\$45,000 - \$50,000
Contracts payable - 2003 Fire truck	11/1/12	4.0%	\$24,250 - \$32,788

Annual debt service requirements to maturity for the above bond obligations are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 134,250	\$ 54,401	\$ 55,792	\$ 9,373
2007	183,145	53,670	55,793	7,002
2008	179,260	46,916	55,793	4,575
2009	210,424	39,921	74,389	1,674
2010	186,640	31,936	-	-
2011-2014	<u>569,926</u>	<u>51,049</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,463,645</u>	<u>\$ 277,893</u>	<u>\$ 241,767</u>	<u>\$ 22,624</u>

NOTE 8 - RISK MANAGEMENT

Financial instruments, which potentially subject the Township to concentrations of credit risk consist principally of cash. Risk associated with cash is disclosed in Note 3.

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all its insurance needs. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - PENSION PLAN

The Township has a qualified, contributory defined contribution pension plan covering all full time employees and elected officials. Pension expense charged to operations for the year ended June 30, 2005 was \$ 42,041, which is for current service costs. There are no unfunded prior service costs.

NOTE 10 - OPERATING LEASE

The Townships police department began leasing space from Ferrellgas, L.P. on September 1, 2003. The lease has been extended for a two year term beginning on September 2005 and terminating on August 31, 2007. Building lease expense as of June 30, 2005 is \$11,400.

Annual lease requirements through August 31, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 11,900
2007	12,000
2008	2,000

Township of Argentine
Notes to Financial Statements
June 30, 2005

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The June 30, 2004 financial statements included \$29,668 as a capital asset when it should have been expensed. This caused the net assets to be overstated by the same amount. It was noted that the pension expense was being recorded incorrectly. This omission of pension expense caused the governmental net assets to be overstated by \$15,727 in the June 30, 2004 financial statements.

Governmental Funds

Net assets – beginning of year	\$2,599,546
Change for capital assets	(29,668)
Change for pension expense	<u>(15,727)</u>
Net assets – beginning of year (restated)	<u>\$ 2,554,151</u>

Township of Argentine
Required Supplemental Information
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 176,000	\$ 208,928	\$ 208,969	\$ 41
State shared revenue	449,832	444,647	441,826	(2,821)
Fees and permits	147,100	149,118	157,622	8,504
Charges for services	22,500	12,450	9,800	(2,650)
Interest	1,000	751	757	6
Other revenue	47,200	78,055	59,702	(18,353)
Total revenues	843,632	893,949	878,676	(15,273)
Expenditures				
Current				
General government	495,108	576,672	580,074	3,402
Police protection	496,796	620,856	518,048	(102,808)
Fire protection	249,544	364,194	364,842	648
Other	184,504	161,065	163,724	2,659
Total expenditures	1,425,952	1,722,787	1,626,688	(96,099)
Deficiency of revenues over expenditures	(582,320)	(828,838)	(748,012)	(111,372)
Other financing sources (uses)				
Operating transfers in	582,320	583,943	390,005	(193,938)
Operating transfers out	-	-	(15,000)	(15,000)
Total other financing sources (uses)	582,320	583,943	375,005	(208,938)
Net change in fund balance	-	(244,895)	(373,007)	(128,112)
Fund balance - beginning of year	428,438	428,438	516,553	88,115
Fund balance - end of year	\$ 428,438	\$ 183,543	\$ 143,546	\$ (39,997)

Township of Argentine
Required Supplemental Information
Police Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 268,200	\$ 268,200	\$ 273,200	\$ 5,000
Interest	158	158	691	533
Fees and permits	6,600	6,600	5,701	(899)
Total revenues	274,958	274,958	279,592	4,634
Expenditures				
Other	8,350	8,350	812	(7,538)
Total expenditures	8,350	8,350	812	(7,538)
Excess (deficiency) of revenues over (under) expenditures	266,608	266,608	278,780	(12,172)
Other financing uses				
Operating transfers out	(268,200)	(268,200)	(114,562)	153,638
Net change in fund balance	(1,592)	(1,592)	164,218	165,810
Fund balance - beginning of year	34,803	34,803	34,803	-
Fund balance - end of year	\$ 33,211	\$ 33,211	\$ 199,021	\$ 165,810

Township of Argentine
Required Supplemental Information
Fire Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Special assessments	\$ 321,840	\$ 321,840	\$ 327,840	\$ 6,000
Fees and permits	8,069	8,069	6,960	(1,109)
State grants	-	-	51,336	51,336
Interest	764	764	1,931	1,167
Total revenues	330,673	330,673	388,067	57,394
Expenditures				
Debt service	71,192	71,192	57,041	(14,151)
Total expenditures	71,192	71,192	57,041	(14,151)
Excess (deficiency) of revenues over (under) expenditures	259,481	259,481	331,026	(71,545)
Other financing uses				
Operating transfers out	(225,288)	(225,288)	(275,443)	50,155
Net change in fund balance	34,193	34,193	55,583	(21,390)
Fund balance - beginning of year	263,359	263,359	263,359	-
Fund balance - end of year	\$ 297,552	\$ 297,552	\$ 318,942	\$ 21,390

Township of Argentine
Required Supplemental Information
Garbage Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Special assessments	\$ 318,516	\$ 318,516	\$ 324,984	\$ 6,468
Fees and permits	6,534	6,534	1,680	(4,854)
Interest	457	457	5,808	5,351
Total revenues	<u>325,507</u>	<u>325,507</u>	<u>332,472</u>	<u>6,965</u>
Expenditures				
Sanitation service	326,726	326,726	342,053	15,327
Other	-	-	1,608	1,608
Total expenditures	<u>326,726</u>	<u>326,726</u>	<u>1,608</u>	<u>16,935</u>
Net change in fund balance	(1,219)	(1,219)	330,864	23,900
Fund balance - beginning of year	<u>170,969</u>	<u>170,969</u>	<u>170,969</u>	<u>-</u>
Fund balance - end of year	<u>\$ 169,750</u>	<u>\$ 169,750</u>	<u>\$ 501,833</u>	<u>\$ 332,083</u>

Township of Argentine
Required Supplemental Information
Peninsular & Belfast Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 42,054	\$ 42,054	\$ 42,054	\$ -
Interest	72	72	3,151	3,079
Total revenues	42,126	42,126	45,205	3,079
Expenditures				
Debt service	78,022	78,022	59,354	(18,668)
Other	10,250	10,250	57	(10,193)
Total expenditures	88,272	88,272	59,411	(28,861)
Net change in fund balance	(46,146)	(46,146)	(14,206)	31,940
Fund balance - beginning of year	113,964	113,964	113,964	-
Fund balance - end of year	<u>\$ 67,818</u>	<u>\$ 67,818</u>	<u>\$ 99,758</u>	<u>\$ 31,940</u>

Township of Argentine
Required Supplemental Information
Sunset/Softwater Special Revenue
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ -	\$ -	\$ 161,915	\$ 161,915
Interest	-	-	3,800	3,800
Total revenues	-	-	165,715	165,715
Expenditures				
Road improvements	-	-	394,291	394,291
Debt service	-	-	51,422	51,422
Other	-	-	24,821	24,821
Total expenditures	-	-	470,534	470,534
Deficiency of revenues under expenditures	-	-	(304,819)	(304,819)
Other financing sources				
Operating transfers in	-	-	5,000	5,000
Bond proceeds	-	-	485,000	485,000
Total other financing sources	-	-	490,000	485,000
Net change in fund balance	-	-	180,181	180,181
Fund balance - beginning of year	113,964	113,964	113,964	-
Fund balance - end of year	<u>\$ 113,964</u>	<u>\$ 113,964</u>	<u>\$ 294,145</u>	<u>\$ 180,181</u>

Township of Argentine
Required Supplemental Information
Haviland Beach
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Special assessments	\$ 21,031	\$ 21,031	\$ 21,134	\$ 103
Interest	81	81	1,928	1,847
Total revenues	<u>21,112</u>	<u>21,112</u>	<u>23,062</u>	<u>1,950</u>
Expenditures				
Road improvements	127,227	127,227	-	(127,227)
Debt service	-	-	23,744	23,744
Other	10,250	10,250	13	(10,237)
Total expenditures	<u>137,477</u>	<u>137,477</u>	<u>23,757</u>	<u>(113,720)</u>
Excess (deficiency) of revenues over expenditures	(116,365)	(116,365)	(695)	115,670
Fund balance - beginning of year	<u>141,104</u>	<u>141,104</u>	<u>141,104</u>	<u>-</u>
Fund balance - end of year	<u>\$ 24,739</u>	<u>\$ 24,739</u>	<u>\$ 140,409</u>	<u>\$ 115,670</u>

Township of Argentine
Required Supplemental Information
Lobdell Road Paving
Budgetary Comparison Schedule
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Special assessments	\$ 27,500	\$ 27,500	\$ 30,250	\$ 2,750
Interest	31	31	-	(31)
Total revenues	<u>27,531</u>	<u>27,531</u>	<u>30,250</u>	<u>2,719</u>
Expenditures				
Other	-	-	46	46
Debt service	<u>33,099</u>	<u>33,099</u>	<u>89,683</u>	<u>56,584</u>
Total expenditures	<u>33,099</u>	<u>33,099</u>	<u>89,729</u>	<u>56,630</u>
Deficiency of revenues under expenditures	(5,568)	(5,568)	(59,479)	(53,911)
Other financing sources				
Transfer in	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net change in fund balance	(5,568)	(5,568)	(49,479)	(43,911)
Fund balance - beginning of year	<u>22,930</u>	<u>22,930</u>	<u>22,930</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ 17,362</u>	<u>\$ 17,362</u>	<u>\$ (26,549)</u>	<u>\$ (43,911)</u>

Township of Argentine
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Ambulance	Street and Lighting	Lake Improvements	Glen Hatt	Knobhill	General Road Improvement	Wolcott Mill	Smith Road	Crest Drive	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalents	\$ -	\$ 34,940	\$ 171,313	\$ 2,233	\$ 9,400	\$ 78,372	\$ 516	\$ -	\$ -	\$ 296,774
Special assessments receivable	-	-	-	70,132	25,849	-	-	-	-	95,981
Due from other funds	-	-	30,000	-	-	-	-	-	-	30,000
Total assets	<u>\$ -</u>	<u>\$ 34,940</u>	<u>\$ 201,313</u>	<u>\$ 72,365</u>	<u>\$ 35,249</u>	<u>\$ 78,372</u>	<u>\$ 516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,755</u>
Liabilities and Fund Balance										
Liabilities										
Checks written against future deposits	\$ 27	\$ -	\$ 3,341	\$ -	\$ -	\$ -	\$ -	\$ 12,324	\$ 2,957	\$ 18,649
Accounts payable	-	-	67,076	-	-	-	488	-	-	67,564
Deferred revenue	-	-	-	70,132	25,849	-	-	-	-	95,981
Due to other funds	-	-	-	-	45,300	-	-	-	-	45,300
Total liabilities	<u>27</u>	<u>-</u>	<u>67,076</u>	<u>70,132</u>	<u>71,149</u>	<u>-</u>	<u>488</u>	<u>12,324</u>	<u>2,957</u>	<u>227,494</u>
Fund balance (deficit)										
Reserved for Lakes	-	-	130,896	-	-	-	-	-	-	130,896
Unreserved, undesignated	(27)	34,940	-	2,233	(35,900)	78,372	28	(12,324)	(2,957)	64,365
Total fund balance (deficit)	<u>(27)</u>	<u>34,940</u>	<u>130,896</u>	<u>2,233</u>	<u>(35,900)</u>	<u>78,372</u>	<u>28</u>	<u>(12,324)</u>	<u>(2,957)</u>	<u>195,261</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 34,940</u>	<u>\$ 197,972</u>	<u>\$ 72,365</u>	<u>\$ 35,249</u>	<u>\$ 78,372</u>	<u>\$ 516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,755</u>

Township of Argentine
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Ambulance	Street and Lighting	Lake Improvements	Glen Hatt	Knobhill	General Road Improvement	Wolcott Mill	Smith Road	Crest Drive	Total Nonmajor Governmental Funds
Revenues										
Special assessments	\$ -	\$ 18,630	\$ 74,996	\$ 8,158	\$ 7,585	\$ 55,185	\$ -	\$ 52,095	\$ 6,640	\$ 223,289
Interest	-	185	2,117	110	48	1,020	849	225	15	4,569
Total revenues	-	18,815	77,113	8,268	7,633	56,205	849	52,320	6,655	227,858
Expenditures										
Street and lighting	-	17,293	-	-	-	-	-	-	-	17,293
Other functions	27	-	-	1	-	25	161,391	-	-	161,444
Road improvements	-	-	-	-	-	59,830	-	64,644	9,612	134,086
Lake improvements	-	-	97,513	-	-	-	-	-	-	97,513
Debt service	-	-	-	12,551	-	-	42,384	-	-	54,935
Total expenditures	27	17,293	97,513	12,552	-	59,855	203,775	64,644	9,612	465,271
Excess (deficiency) of revenues over expenditures	(27)	1,522	(20,400)	(4,284)	7,633	(3,650)	(202,926)	(12,324)	(2,957)	(237,413)
Fund balance (deficit) - beginning of year	-	33,418	151,296	6,517	(43,533)	82,022	202,954	-	-	432,674
Fund balance (deficit) - end of year	<u>\$ (27)</u>	<u>\$ 34,940</u>	<u>\$ 130,896</u>	<u>\$ 2,233</u>	<u>\$ (35,900)</u>	<u>\$ 78,372</u>	<u>\$ 28</u>	<u>\$ (12,324)</u>	<u>\$ (2,957)</u>	<u>\$ 195,261</u>

Township of Argentine
Other Supplemental Information
Comparative Balance Sheet
General Fund
June 30, 2005 and 2004

	<u>2005</u>	<u>Restated 2004</u>
Assets		
Cash and cash equivalents	\$ 7,689	\$ 300,129
Accounts receivable	11,023	10,333
Due from other governmental units	153,936	153,001
Due from other funds	178,441	162,293
Prepaid expenses	4,337	4,337
	<u> </u>	<u> </u>
Total assets	<u>\$ 355,426</u>	<u>\$ 630,093</u>
Liabilities and Fund Balance		
Liabilities		
Checks written against future deposits	\$ 189,800	\$ -
Accounts payable	11,266	67,262
Judgement payable	-	37,336
Salaries payable	7,746	5,874
Due to other funds	3,068	3,068
	<u> </u>	<u> </u>
Total liabilities	<u>211,880</u>	<u>113,540</u>
Fund balance		
Reserved for building expenditures	-	14,200
Designated for drug enforcement	100	100
Designated for fire improvement	22,718	22,718
Designated for Township tables and chairs	1,451	1,451
Undesignated	119,277	478,084
	<u> </u>	<u> </u>
Total fund balance	<u>143,546</u>	<u>502,353</u>
	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 355,426</u>	<u>\$ 615,893</u>

Township of Argentine
Other Supplemental Information
Schedule of Revenues Compared to Budget
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Current property taxes	\$ 176,000	\$ 208,928	\$ 208,969	\$ 41
State shared revenue				
Revenue sharing	448,332	443,070	440,249	(2,821)
Liquor license fees	1,500	1,577	1,577	-
Total state shared revenue	449,832	444,647	441,826	(2,821)
Fees and permits				
Building permits	78,000	72,558	73,567	1,009
Franchise fees	41,000	41,796	48,298	6,502
Court fees	28,000	34,764	35,757	993
Miscellaneous permits	100	-	-	-
Total fees and permits	147,100	149,118	157,622	8,504
Charges for services				
Fire runs and contracts	7,500	3,050	-	(3,050)
Land split fees	6,000	3,300	3,300	-
Miscellaneous	9,000	6,100	6,500	400
Total charges for services	22,500	12,450	9,800	(2,650)
Other revenue				
Interest	1,000	751	757	6
Sale of township property	3,000	4,000	4,000	-
Refunds and rebates	1,500	11,183	11,183	-
Reimbursements	2,000	5,747	5,747	-
Miscellaneous	40,700	57,125	38,772	(18,353)
Total other revenue	48,200	78,806	60,459	(18,347)
Total revenue	\$ 843,632	\$ 893,949	\$ 878,676	\$ (15,273)

Township of Argentine
Other Supplemental Information
Schedule of Expenditures Compared to Budget
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
Township Board	\$ 261,678	\$ 346,200	\$ 349,979	\$ 3,779
Supervisor	119,908	123,210	122,740	(470)
Elections	7,490	10,085	10,085	-
Clerk	23,640	22,251	21,753	(498)
Board of Review	4,291	2,683	2,653	(30)
Treasurer	28,384	31,690	32,311	621
Building and grounds	43,325	34,086	34,086	-
Cemetery	6,392	6,467	6,467	-
Total general government	495,108	576,672	580,074	3,402
Police protection	496,796	620,856	518,048	(102,808)
Fire protection	249,544	364,194	364,842	648
Other expenditures				
Building department	116,638	113,720	114,517	797
Drains at large	17,000	23,379	24,358	979
Highways and streets	22,100	4,716	5,722	1,006
Planning commission and board of appeals	28,766	19,250	19,127	(123)
Total other expenditures	184,504	161,065	163,724	2,659
Total expenditures	<u>\$ 1,425,952</u>	<u>\$ 1,722,787</u>	<u>\$ 1,626,688</u>	<u>\$ (96,099)</u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Police Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 273,200	\$ 267,200
Interest	691	208
Fees and permits	<u>5,701</u>	<u>6,600</u>
Total revenues	<u>279,592</u>	<u>274,008</u>
Expenditures		
Other	<u>812</u>	<u>2,767</u>
Total expenditures	<u>812</u>	<u>2,767</u>
Excess of revenues over expenditures	278,780	271,241
Other financing uses		
Operating transfers out	<u>(114,562)</u>	<u>(267,200)</u>
Net change in fund balance	164,218	4,041
Fund balance - beginning of year	<u>34,803</u>	<u>30,762</u>
Fund balance - end of year	<u><u>\$ 199,021</u></u>	<u><u>\$ 34,803</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Fire Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 327,840	\$ 320,640
Interest	1,931	1,065
State grants	51,336	-
Fees and permits	<u>6,960</u>	<u>8,068</u>
Total revenues	<u>388,067</u>	<u>329,773</u>
Expenditures		
Debt service	<u>57,041</u>	<u>343,730</u>
Excess (deficiency) of revenues over expenditures	331,026	(13,957)
Other financing sources (uses)		
Loan proceeds	-	272,540
Operating transfers out	<u>(275,443)</u>	<u>(232,512)</u>
Total other financing sources (uses)	<u>(275,443)</u>	<u>40,028</u>
Net change in fund balance	55,583	26,071
Fund balance - beginning of year	<u>263,359</u>	<u>237,288</u>
Fund balance - end of year	<u><u>\$ 318,942</u></u>	<u><u>\$ 263,359</u></u>

Township of Argentine
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance
Ambulance Revenue Fund
Year Ended June 30, 2005 and 2004

	2005	2004
Expenditures		
Reimbursements	\$ -	\$ 2,720
Other	<u>27</u>	<u>-</u>
Total expenditures	<u>27</u>	<u>2,720</u>
Deficiency of revenues over expenditures	(27)	(2,720)
Other financing sources		
Operating transfers in	<u>-</u>	<u>7,667</u>
Net change in fund balance	(27)	4,947
Fund balance (deficit) - beginning of year	<u>-</u>	<u>(4,947)</u>
Fund balance (deficit) - end of year	<u><u>\$ (27)</u></u>	<u><u>\$ -</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Garbage Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 324,984	\$ 317,196
Interest	1,680	653
Other revenue	<u>5,808</u>	<u>6,352</u>
Total revenues	<u>332,472</u>	<u>324,201</u>
Expenditures		
Sanitation	342,053	326,726
Other	<u>1,608</u>	<u>-</u>
Total expenditures	<u>343,661</u>	<u>326,726</u>
Net change in fund balance	(11,189)	(2,525)
Fund balance - beginning of year	<u>170,969</u>	<u>173,494</u>
Fund balance - end of year	<u><u>\$ 159,780</u></u>	<u><u>\$ 170,969</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Street and Lighting Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 18,630	\$ 19,873
Interest	<u>185</u>	<u>794</u>
Total revenues	<u>18,815</u>	<u>20,667</u>
Expenditures		
Street and lighting	<u>17,293</u>	<u>20,204</u>
Net change in fund balance	1,522	463
Fund balance - beginning of year	<u>33,418</u>	<u>32,955</u>
Fund balance - end of year	<u><u>\$ 34,940</u></u>	<u><u>\$ 33,418</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Lake Improvement Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 74,996	\$ 74,996
Interest	<u>2,117</u>	<u>877</u>
Total revenues	<u>77,113</u>	<u>75,873</u>
Expenditures		
Lake improvements	<u>97,513</u>	<u>86,826</u>
Deficiency of revenues over expenditures	(20,400)	(10,953)
Fund balance - beginning of year	<u>151,296</u>	<u>162,249</u>
Fund balance - end of year	<u><u>\$ 130,896</u></u>	<u><u>\$ 151,296</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Lobdell Road Assessment Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 30,250	\$ 27,500
Interest	<u>-</u>	<u>52</u>
Total revenues	<u>30,250</u>	<u>27,552</u>
Expenditures		
Debt service	89,683	33,099
Other functions	<u>46</u>	<u>-</u>
Total expenditures	<u>89,729</u>	<u>33,099</u>
Deficiency of revenues over expenditures	(59,479)	(5,547)
Other financing sources		
Transfers in	<u>10,000</u>	<u>-</u>
Net change in fund balance	(49,479)	(5,547)
Fund balance - beginning of year	<u>22,930</u>	<u>28,477</u>
Fund balance (deficit) - end of year	<u><u>\$ (26,549)</u></u>	<u><u>\$ 22,930</u></u>

Township of Argentine
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance
Haviland Beach Paving Special Revenue Fund
Year Ended June 30, 2005 and 2004

	2005	2004
Revenues		
Special assessments	\$ 21,134	\$ 21,134
Interest	<u>1,928</u>	<u>118</u>
Total revenues	<u>23,062</u>	<u>21,252</u>
Expenditures		
Road improvements	-	127,227
Professional services	-	10,250
Debt service	23,744	-
Other	<u>13</u>	<u>-</u>
Total expenditures	<u>23,757</u>	<u>137,477</u>
Deficiency of revenues over expenditures	(695)	(116,225)
Other financing sources		
Bond proceeds	<u>-</u>	<u>225,000</u>
Net change in fund balance	(695)	108,775
Fund balance - beginning of year	<u>141,104</u>	<u>32,329</u>
Fund balance - end of year	<u><u>\$ 140,409</u></u>	<u><u>\$ 141,104</u></u>

Township of Argentine
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance
Glen Hatt Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 8,158	\$ 7,925
Interest	<u>110</u>	<u>11</u>
Total revenues	<u>8,268</u>	<u>7,936</u>
Expenditures		
Debt service	12,551	13,252
Other	<u>1</u>	<u>-</u>
Total expenditures	<u>12,552</u>	<u>13,252</u>
Net change in fund balance	(4,284)	(5,316)
Fund balance - beginning of year	<u>6,517</u>	<u>11,833</u>
Fund balance - end of year	<u><u>\$ 2,233</u></u>	<u><u>\$ 6,517</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Knobhill Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 7,585	\$ 7,585
Interest	<u>48</u>	<u>12</u>
Total revenues	7,633	7,597
Fund deficit - beginning of year	<u>(43,533)</u>	<u>(51,130)</u>
Fund deficit - end of year	<u><u>\$ (35,900)</u></u>	<u><u>\$ (43,533)</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
General Road Improvement Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 55,185	\$ 58,110
Interest	<u>1,020</u>	<u>132</u>
Total revenues	<u>56,205</u>	<u>58,242</u>
Expenditures		
Road improvements	59,830	56,291
Other	<u>25</u>	<u>-</u>
Total expenditures	<u>59,855</u>	<u>56,291</u>
Net change in fund balance	(3,650)	1,951
Fund balance - beginning of year	<u>82,022</u>	<u>80,071</u>
Fund balance - end of year	<u><u>\$ 78,372</u></u>	<u><u>\$ 82,022</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Wolcott Mill Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Interest earned	\$ 849	\$ 6,331
Expenditures		
Debt service	42,384	44,633
Other	<u>161,391</u>	<u>4,146</u>
Total expenditures	<u>203,775</u>	<u>48,779</u>
Deficiency of revenues over expenditures	(202,926)	(42,448)
Fund balance - beginning of year	<u>202,954</u>	<u>245,402</u>
Fund balance - end of year	<u><u>\$ 28</u></u>	<u><u>\$ 202,954</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Peninsular & Belfast Special Revenue Fund
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Special assessments	\$ 42,054	\$ 42,054
Interest	<u>3,151</u>	<u>103</u>
Total revenues	<u>45,205</u>	<u>42,157</u>
Expenditures		
Road improvements	57	-
Debt service	59,354	36,772
Other	<u>-</u>	<u>10,250</u>
Total expenditures	<u>59,411</u>	<u>47,022</u>
Deficiency of revenues over expenditures	(14,206)	(4,865)
Other financing sources		
Bond proceeds	<u>-</u>	<u>225,000</u>
Total other financing sources	<u>-</u>	<u>225,000</u>
Net change in fund balance	(14,206)	220,135
Fund balance (deficit) - beginning of year	<u>113,964</u>	<u>(106,171)</u>
Fund balance - end of year	<u><u>\$ 99,758</u></u>	<u><u>\$ 113,964</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Smith Road Special Revenue Fund
Year Ended June 30, 2005

	<u>2005</u>
Revenues	
Special assessments	\$ 52,095
Interest	<u>225</u>
Total revenues	<u>52,320</u>
Expenditures	
Road improvements	<u>64,644</u>
Net change in fund balance	(12,324)
Fund balance - beginning of year	<u>-</u>
Fund balance (deficit) - end of year	<u><u>\$ (12,324)</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Sunset/Softwater Special Revenue Fund
Year Ended June 30, 2005

	<u>2005</u>
Revenues	
Special assessments	\$ 161,915
Interest	<u>3,800</u>
Total revenues	<u>165,715</u>
Expenditures	
Road improvements	394,291
Debt service	51,422
Other	<u>24,821</u>
Total expenditures	<u>470,534</u>
Deficiency of revenues over expenditures	(304,819)
Other financing sources	
Operating transfers in	5,000
Bond proceeds	<u>485,000</u>
Total other financing sources	<u>490,000</u>
Net change in fund balance	185,181
Fund balance - beginning of year	<u>-</u>
Fund balance - end of year	<u><u>\$ 185,181</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Crest Drive Special Revenue Fund
Year Ended June 30, 2005

	<u>2005</u>
Revenues	
Special assessments	\$ 6,640
Interest	<u>15</u>
Total revenues	<u>6,655</u>
Expenditures	
Road improvements	<u>9,612</u>
Net change in fund balance	(2,957)
Fund balance - beginning of year	<u>-</u>
Fund balance (deficit) - end of year	<u><u>\$ (2,957)</u></u>



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September 20, 2005

To the Township Board
Township of Argentine
Genesee County, Michigan

In planning and performing our audit of the financial statements of Argentine Township for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of the aforementioned study, we became aware of the following matter that is an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated September 20, 2005 on the financial statement of Argentine Township.

IMPROVE BUDGET PROCEUDRES

At present, the Township's budgeting procedures provide for the preparation of an annual budget at the beginning of the fiscal year based on a projected fixed level of activity for the general fund and the special revenue funds. Budgets stimulate early identification of problems and help ensure that timely decisions are made for resolving the problems. During the audit it was noted that the budget adopted for the special revenue funds was exactly the same as the budget adopted in the previous year, even though there were anticipated changes for the year. There were three new special revenue funds added during the 2004-05 year and there was not a budget adopted for these new funds. We suggest that additional time and an accurate evaluation of the funds be done prior to adopting the budget.

This report is intended solely for the information and use of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

Thomas E. Coulter